How should Japan deal with the shrinking population?

Suguru Nakamikawa
Yasumasa Urao
Takamasa Hara
Keisuke Nishioka
Seiya Tanefuji
Azusa Suzuki
Keita Kagami

Japan Center for Economic Research
January, 2018
1. Current Situation
   - Declining birthrate and aging progresses in Japan.

2. What’s the Problem?
   - Labor shortage will be more serious.

3. Importance of Foreign Workers
   - Labor force can be augmented by foreign workers.

4. Acceptance situation of foreign workers in Japan
   - The Japanese government is aggressively recruiting foreign workers.

5. The Problems of Employment Policy for Foreigners in Japan
   - There are problems with “technical interns” and “highly-skilled workers”.

6. The Problems of the Working Environment for Foreigners in Japan
   - For foreigners, the working environment in Japan is not always attractive.

7. The Problems of Japanese English ability
   - Japanese people has to take measures to improve English ability.

8. Conclusion

9. Members Introduction
1. Current Situation

【Japanese population forecast】

(Notes) "High birth rate" line shows the positive scenario in which the birth rate will be 2.00 in 2065. In both cases, the mortality rate will be medium.
(Source) National Institute of Population and Social Security Research

【Changes in Japan's population pyramid】

(Source) Ministry of Internal Affairs and Communication of Japan “Census” “Population estimate”
2. What’s the Problem?

- Shrinking population
- Demand (domestic consumption)
- Supply (labor force)
- Others (tax revenues and so on)

**Japanese companies face labor shortages...**

【Judgement of employment conditions】

**The potential growth rate will decrease...**

【Potential growth rate forecast】

- (Index)
  - Manufacturing
  - Non-manufacturing

- (Quarterly)
- Excessive
- Insufficient

(Note) The gray area represents the recession period.
(Source) The Bank of Japan

(Source) JCGE, “The 44th Medium-Term Economic Forecast for the Japanese Economy (Baseline scenario)”
3. Importance of Foreign Workers

Labor shortage → Foreign workers

【Changes in foreign workers in Japan】

【Impact of increase in foreign workers】

(Source) Ministry of Health, Labour and Welfare "Summary of foreign employment situation"
National Institute of Population and Social Security Research
4. Acceptance situation of foreign workers in Japan

**Government policy**

We actively accept foreign high-skilled talent.
However, the acceptance of foreigners engaged in manual labor will be examined while taking into account the national consensus.

(H29.2.22 the Council for the Realization of Work Style Reform)

*In fact, technical intern trainees and international students who are not primarily for employment purposes are engaged in manual labor.*

**Efforts toward expansion of non-skilled foreign workers**

① "Technical Intern Training Act"
   → Improvement of Protection Measures for Trainees and Extension of Practice Period.
   → Added nursing career to Technical Intern Training Program.

② "The Revised National Strategic Special Zones Law"
   → Acceptance of foreign workers in the agricultural sector of National Strategic Special Zones.
5. The Problems of Employment Policy for Foreigners in Japan

The period of stay is too short—"Technical Intern Training System" in Japan

- **1st year**: Practical Exam & Writing Test
- **2nd year**: Technical Intern Training(1) technical training
- **3rd year**: Practical Exam
- **4th year**: Technical Intern Training(2) technical training
- **5th year**: Technical Intern Training(3) technical training
- **Entry**
- **Extension of the period of stay**
- **Return Home Temporarily (more than 1 month)**

(Source) Ministry of Health, Labour and Welfare

A limit to accepting interns—Take a look at the case of Chinese workers in Japan

- **(Y on Y, %)**
  - Students
  - Technical Interns
  - High skilled professionals
  - Total workers from China

(Source) Ministry of Health, Labour and Welfare

- **(Index)**
  - CHINA: Disposable Income per Capita
  - Urban (2002=100)

(Source) CEIC Data
6. The Problems of the Working Environment for Foreigners in Japan

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Netherlands</td>
<td>0.45</td>
</tr>
<tr>
<td>2</td>
<td>Sweden</td>
<td>1.11</td>
</tr>
<tr>
<td>3</td>
<td>Latvia</td>
<td>2.09</td>
</tr>
<tr>
<td>4</td>
<td>Denmark</td>
<td>2.20</td>
</tr>
<tr>
<td>5</td>
<td>Estonia</td>
<td>2.69</td>
</tr>
<tr>
<td>33</td>
<td>Japan</td>
<td>21.81</td>
</tr>
<tr>
<td></td>
<td>OECD - Total</td>
<td>12.62</td>
</tr>
</tbody>
</table>

(Source) OECD, Better Life Index, 2017

Problems of the working environment for foreigners

<table>
<thead>
<tr>
<th>Problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overtime work</td>
</tr>
<tr>
<td>Seniority system</td>
</tr>
<tr>
<td>No job description</td>
</tr>
<tr>
<td>Uncertain evaluation system</td>
</tr>
<tr>
<td>Required high level Japanese language skills</td>
</tr>
<tr>
<td>Many relationships outside of work</td>
</tr>
</tbody>
</table>

It is necessary to create a pleasant working environment.

Ex) Fuji Xerox Co., Ltd.

✓ Reduce working hours by 10%
✓ 75% of workers evaluate that Fuji Xerox is a company capable of demonstrating abilities regardless of sex, nationality, disability or age.

(Source) Ministry of Economy, Trade and Industry, Fuji Xerox Co., Ltd.
### 7. The Problems of Japanese English ability

#### Japanese workers should study business English

Companies should force employees to learn English to some extent.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Netherlands</td>
</tr>
<tr>
<td>2</td>
<td>Sweden</td>
</tr>
<tr>
<td>3</td>
<td>Denmark</td>
</tr>
<tr>
<td>4</td>
<td>Norway</td>
</tr>
<tr>
<td>5</td>
<td>Singapore</td>
</tr>
<tr>
<td>37</td>
<td>Japan</td>
</tr>
</tbody>
</table>

Companies engaged in English:
- Rakuten, FAST RETAILING, SUMIDA CORPORATION
- Honda, Cyber Agent, Bridgestone, Asahi
- SMBC, Sojitz, Mistubishi Corp, Mitsui Fudosan

"Government should give companies tax incentive"

#### It is necessary to improve the quality of English teachers

【Concrete goal for English ability by government】

<table>
<thead>
<tr>
<th></th>
<th>Goal</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>EIKEN grade Pre-1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Junior high school</td>
<td>50%</td>
<td>32%</td>
</tr>
<tr>
<td>High school teachers</td>
<td>75%</td>
<td>57.3%</td>
</tr>
</tbody>
</table>

"English teachers should take the ability test at least once a year"

To attract foreign workers, Japanese must study English more.
By solving problems shown above and increasing foreigners 7% each year, Japan’s labor force population in 2065 will be kept the same level as now.
## 9. Members Introduction

<table>
<thead>
<tr>
<th>Name</th>
<th>Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suguru Nakamikawa</td>
<td>Ashikaga Bank, Ltd.</td>
</tr>
<tr>
<td>Yasumasa Urao</td>
<td>Osaka Gas Co., Ltd.</td>
</tr>
<tr>
<td>Takamasa Hara</td>
<td>Yamato Group Research institute</td>
</tr>
<tr>
<td>Keisuke Nishioka</td>
<td>Central Japan Railway Company</td>
</tr>
<tr>
<td>Seiya Tanefuji</td>
<td>Akita Bank, Ltd.</td>
</tr>
<tr>
<td>Azusa Suzuki</td>
<td>Secretariat of the House of Representatives</td>
</tr>
<tr>
<td>Keita Kagami</td>
<td>Daido Life Insurance Company, Ltd.</td>
</tr>
</tbody>
</table>